

**STATEMENT OF CONGRESSWOMAN MADELEINE Z. BORDALLO**  
**MEETING OF THE INTERAGENCY GROUP ON INSULAR AREAS (IGIA)**

Washington, D.C.

February 24, 2004

I appreciate the opportunity to submit views to the Interagency Group on Insular Areas (IGIA) and I thank Secretary Gale Norton, Assistant Secretary Lynne Scarlett, Deputy Assistant Secretary David Cohen, and the staff of the Office of Insular Affairs for organizing today's meeting and coordinating with the federal agencies for progress reports on the issues that were discussed and tasked at the last meeting on September 10, 2003. As I stated then and still believe now, we have the ability to advance and resolve several serious and challenging issues through the work of the IGIA. I am confident this renewed mechanism for obtaining advice and direction will serve the President, his Cabinet, agency officials, and other Federal policy-makers well in the continued establishment, revision and implementation of policy affecting the Insular Areas.

At the September 10, 2003 meeting, Governor Felix Camacho requested that you take action to appropriately and favorably address issues pertaining to the Federal Emergency Management Agency's (FEMA) insurance requirement, their federal-local cost sharing ratio, National Flood Insurance Program suspension, formula grant funding and the federal financing of major economic development projects. I trust these issues will be sufficiently responded to by FEMA under the Department of Homeland Security and the Economic Development Administration (EDA) under the Department of Commerce at today's meeting. Governor Camacho and I continue to work cooperatively to address these and other concerns. I want to thank those federal agencies who have reached out to us to work on these issues. Your support, assistance, flexibility, and patience in understanding our unique conditions, especially in the aftermath of Super typhoon Pongsona, and working constructively with us to address these policy issues is appreciated.

**Cabotage and Visa-Waiver Policy**

At last year's meeting I also took the opportunity along with my colleague, Congresswoman Donna Christensen of the Virgin Islands, to place several major issues before you for your consideration. These are issues that cross the equities and responsibilities of multiple federal departments and agencies as well as affect more than one insular area. As you recall, I echoed the call of Governor Togiola Tulafono of American Samoa to review the issue of cabotage law and regulations, especially as this issue impacts air fares and cargo rates for our jurisdictions. This is a complex and long-established issue where clarity in explanation and an examination is needed from the federal government. I continue to believe that the IGIA is a good forum to weigh the costs and benefits of the present federal policy, and I reiterate my call for this issue to be examined. The requests for a Guam-only Philippine Visa Waiver Pilot Program and a China Visa Waiver Pilot Program remain. As I indicated at the September 10, 2003 meeting there is a process in Public Law 99-396, the Guam-only Visa Waiver Program, for such pilot programs to be implemented, and these requests require the joint

coordination and approval of the Departments of State, Homeland Security, Justice and Interior. We continue to argue for a Philippine Visa waiver program that would stimulate our visitor industry and that would help to re-unite Filipino-American residents on Guam with their relatives in the Philippines under the auspices of this program. While we appreciate the security concerns of the Department of Homeland Security, we remain convinced that new technologies make it feasible to implement a Guam-only visa waiver program for visitors who pose no security risk to our nation. The people of Guam await your response and I stand ready to help facilitate your consideration of these requests.

### **Earned Income Tax Credit**

Apart from these two issues, important to the economic health and growth of our travel and tourism industry, are issues of fairness that pertain to the application of Federal law to Guam and the Virgin Islands. It is imperative that the issue of federal assistance for the payment of the Earned Income Tax Credit and the Additional Child Tax Credit be addressed. As I explained at the September 10, 2003 meeting, Guam and the Virgin Islands are mirror code tax jurisdictions. As such, our taxpayers contribute in the same manner to payroll FICA taxes as do taxpayers in the 50 States. I again respectfully request that the IGIA work with the Department of the Treasury and the Government of Guam and the Government of the Virgin Islands on implementing a fair and consistent policy of shared federal and territorial responsibilities for administering the Earned Income Tax Credit (EITC). As mirror code jurisdictions, the Government of Guam and the Government of the Virgin Islands are each required to implement the EITC, but ambiguity in the United States tax code and regulations have prevented the Internal Revenue Service (IRS) from assuming any federal financial responsibilities with respect to this tax credit. As the proper implementation of the EITC is an issue involving multiple insular governments and a federal agency, the IGIA is clearly the appropriate forum for enabling the resolution of this matter. The Virgin Islands has proposed a solution whereby flexibility in existing law coupled with regulatory clarification would enable a fair resolution to this matter. I have also proposed with the support of Congresswoman Christensen a fair resolution to the EITC issue as part of a more comprehensive legislative proposal (H.R. 2186) for Guam and the Virgin Islands. By working directly with the Department of Treasury on a reasonable regulatory solution, however, the IGIA would have the ability to resolve the issue of federal responsibility for EITC implementation on Guam and the Virgin Islands without legislation.

### **Section 30 Funds – Cover-Over of Customs Duties and Federal Income Taxes**

I respectfully request the IGIA's active involvement with reviewing and improving the coordination of the transfer of "Section 30" funds to Guam. The Guam Organic Act of 1950 stipulates that any customs duties or federal income taxes derived from Guam are to be covered over to the Guam Treasury (48 U.S.C. 1421h). Because the federal cover over includes federal taxes collected by the IRS on behalf of employees of any federal agency, as well as coordination with the Department of Homeland Security (DHS) and the Department of Agriculture (USDA) on customs duties and payment to the

OIA, the effective and efficient adherence to the requirements of this law is an issue for which the IGIA is uniquely capable of facilitating.

The chief concern with respect to Section 30 payments to Guam is a precipitous decrease in the Department of the Interior's Fiscal Year 2003 advance of the estimated 2004 collections to be covered over to the Guam Treasury. While some of this can be attributed to adjustments for over-estimates in the Fiscal Year 2002 advance, I am concerned that any management and administrative changes, such as the merging of agencies into DHS or new military deployment protocol, may have inadvertently but not unavoidably caused inaccuracies in the accounting and remittance of revenue collected by the Federal Government from personnel and activity in Guam. I respectfully request the IGIA's assistance in ascertaining the reasons for the decline of Section 30 revenues to Guam and solutions to any inadequacies in properly executing the cover-over among the federal agencies.

### **Guam Statistics and Data Collection**

One of the principal issues inhibiting economic growth on Guam is a lack of adequate gathering and publication of vital economic and social statistics. The Department of the Interior's Office of Insular Affairs is currently authorized to provide technical assistance to the Guam Economic Development and Commerce Authority (GEDCA) to improve and enhance its data collection abilities. I am very supportive of this initiative, which involves the coordination of the OIA and experts at the Department of Commerce's Census Bureau. Therefore, I respectfully request the IGIA's involvement in ensuring that this project is fully funded and executed to its desired outcome.

In addition to supporting the aforementioned project, I have recently written to the Secretaries of Labor and Commerce requesting the inclusion of statistics for Guam in the monthly publication of Local Area Unemployment Statistics (LAUS) and Bureau of Economic Analysis (BEA) regional economic accounts measurements, respectively. As a logical extension of the current technical assistance project, I ask for IGIA assistance in working with the OIA, the Census Bureau, the Bureau of Labor Statistics (BLS) and the BEA to ensure Guam's inclusion in all federal statistical publications. By enhancing economic and social statistics, Guam will be in a better position to attract investment on the island. Furthermore, realization of these proposals would provide local and federal officials with more reliable data to serve as a basis for constructing sound public policy affecting Guam.

### **Medicaid Cap**

The Medicaid cap issue remains a major priority for Guam and the territories because of its inherent disparity vis-a-vis all other American citizens. This affects all the insular areas, and is an issue where again, I ask that you weigh-in to rectify this federal policy. The Departments of Interior and Health and Human Services should take the lead because the inadequate funding of health for indigent citizens is affecting basic health indicators in the territories. We have higher infant mortality, lower life expectancy,

higher diabetes, cancer and health disease rates than the lowest state. We have a crisis in health care that is exacerbated by the Medicaid cap. Guam's Medicaid reimbursement is less than one fifth of the actual cost of medically indigent programs. The Delegates have cosponsored Congresswoman Christensen's bill to remove the Medicaid caps (H.R. 675). The Administration needs to tackle this issue, because without support from the Administration, this will not be resolved.

### **Supplemental Security Income (SSI)**

In September, I also called your attention to the issue of Supplemental Security Income (SSI) which is not available to residents of Guam, American Samoa, and the Virgin Islands. Congressman Faleomavaega continues to take the lead on this issue, which we view as a matter of basic fairness for Americans in the insular areas. The IGIA and the Department of the Interior should advocate for this change with the Social Security Administration and the Office of Management and Budget.

### **Increased Defense Presence and Partnerships to Improve Island Infrastructure**

Guam continues to generate significant level of interest among Defense officials as a forward-operating base for an aircraft carrier battle group, a new air wing, and other military assets. I support every effort to increase the Department of Defense's presence on Guam as it would contribute to regional stability and the island's economy. I urge the IGIA to take the same supportive position and work to resolve outstanding inter-agency issues that impede this growth. Given the restricted operating environment and shared resources on Guam, a welcoming and accommodating environment must be maintained, if certain defense capabilities are to be brought to Guam. At the forefront of these issues is the need to upgrade and harden the island's infrastructure, bringing quality water and reliable electricity to the military and civilians alike. Next, restrictions on land use, environmental clean-up and joint invasive species eradication efforts need the cooperation of the Department of Defense to be resolved.

### **Compact-Impact Assistance**

The recent passage of House Joint Resolution 63, which President Bush signed into law, makes significant improvements in Compact-impact assistance. Guam will be submitting information for possible debt reconciliation in the next few months, and we hope that the IGIA would assist us by providing policy input to the President. Debt reconciliation was intended to offset costs which Guam had incurred for the federal immigration policy which has been estimated to be over \$187 million for the seventeen years of the first Compact.

I again thank Secretary Norton for her leadership in insular issues, and for her recent visit to Guam and the Western Pacific. We look forward to the work of the IGIA and we hope that the issues raised and the dialogue between federal and local officials will result in federal policies that encourage economic and social development in the insular areas. Si Yu'os Ma'ase (thank you).